

AR46

**Consolidated
Building
Corporation**

Annual Report
1976



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Davies, Ward and Beck

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Chief Executive Officer
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President and
Chief Executive Officer
Consolidated Building
Corporation Limited

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President and
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Vice President, Finance

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Clarkson, Gordon & Co.

**Transfer Agents and
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Guaranty Trust Company
of Canada

Listed

Toronto Stock Exchange
Montreal Stock Exchange
Vancouver Stock Exchange

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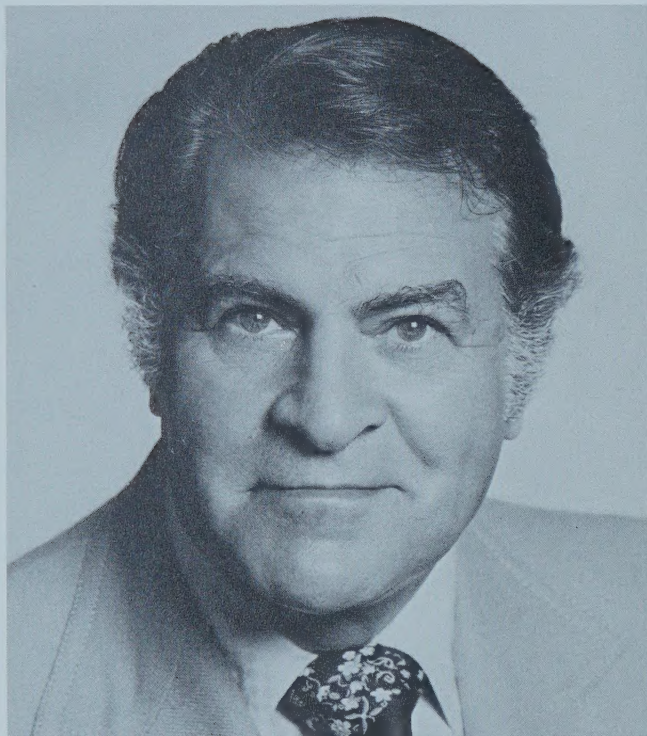
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A street-level view of The Crossways, our multi-use, twin tower complex at the junction of Bloor and Dundas Streets, Toronto.



Report to Shareholders



A report on the progress of Consolidated Building Corporation Limited for the year ended February 29, 1976 can best be reflected in one word—performance.

Your Company has increased its assets and its shareholders' equity despite a decline in revenue and profits. This decline is partly due to a 6-month government delay which prevented our Heart Lake development from being registered last May as anticipated. Subsequent to such registration in November, 1975, sales were made which will reflect in the earnings in fiscal 1976.

Our land division is a major contributor to the Company's earnings. During the past few years, government constraints at all levels have made the time cycle in bringing land inventories onto the market increasingly longer while the accounting cycle remains fixed. Accordingly, earnings from land and, therefore, from the homes built thereon bear little or no relationship to the present fixed accounting time frames. Thus, it becomes increasingly difficult to properly assess results on a relatively short term basis.

From a performance standpoint, Heart Lake has been the highlight of the year. This 760-acre development is a joint venture project in which your Company has a 50% interest in 4250 building units presently being serviced in a phased program. This will provide the Company with building lot inventory, both for lot sales and our own construction department. We look to the Heart Lake development to being a major factor in providing a continuous flow of earnings for the next four years.

Our current inventory of land includes 3600 acres in seven municipalities in Ontario. Purchasing this land in different locations geographically, with the Metro area as the hub, we can look to the demanding markets of Metro Toronto and southern Ontario to ensure a steady building and revenue earning program over the next five to ten years.

Your Company's knowledge in determining areas for future growth is reflected in our land inventory portfolio which is entirely exempt from the Parkway belt designations.

The development of a 1250-acre assembly just east of Toronto is expected to come on stream in the next two years. This should furnish the Company with an on-going program of about 500 units a year for the next 7 years, again ensuring our future stability. Also, by way of a joint venture, we have just purchased 250 acres in an area east of Toronto that should be ready for development within the next three years. These are just more examples

Consolidated Building Corporation Limited
Six-year Comparison

(thousands of dollars)

	1976	1975	1974	1973	1972	1971
Revenue	\$32,281	\$47,578	\$35,565	\$28,878	\$17,560	\$14,821
Earnings before Tax	4,747	10,002	6,701	2,888	1,039	832
Net Earnings	2,372	4,602	3,201	1,338	519	457
Net Earnings per Common Share	37¢	72¢	57¢	28¢	11¢	9¢
Cash Flow from Operations	2,682	8,089	4,588	3,205	1,231	943
Cash Flow per Common Share	42¢	\$1.27	82¢	66¢	26¢	20¢
Assets	100,583	91,755	65,375	41,429	31,911	24,471
Shareholders' Equity	17,802	16,385	11,913	4,146	2,600	2,135
Dividends per Common Share	15¢	10¢				
Number of Common Shares Outstanding at Year End	6,368,329	6,368,329	6,195,329	4,955,870	4,821,829	4,821,829
Return on Shareholders' Average Equity	13.9%	32.5%	39.8%	39.7%	21.9%	24.0%

of your Company's philosophy of phase control—performance that is intended to supply us with a steady flow of building lots.

This past year we have worked with the provincial government's Ontario Housing Action Program to expedite land coming on the market. We plan to utilize the Federal government's A.H.O.P. program which provides grants and interest-free loans to assist future purchasers in acquiring homes in the Villages of Heart Lake. This government program will enable your Company to produce a more saleable product at a substantially lower cost to the consumer.

Construction on The Crossways, a major apartment-commercial development, will be completed this year. The rental program began prior to our year end. There were no revenues accruing to the Company this past fiscal year but certainly by February 28, 1977, we expect the building to be well-leased.

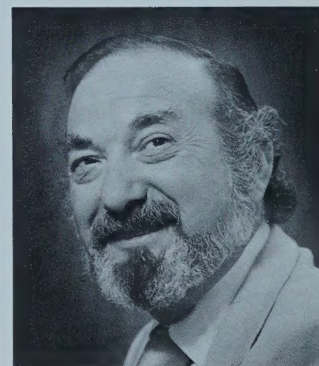
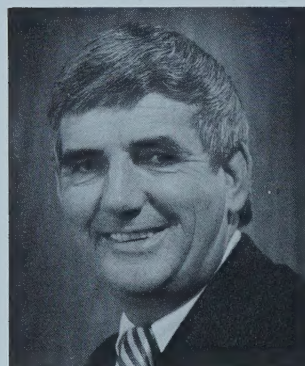
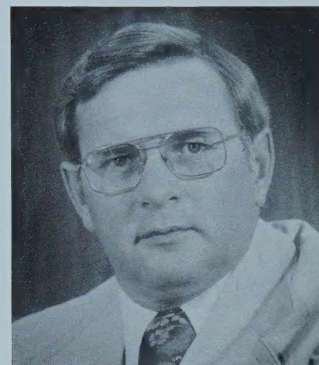
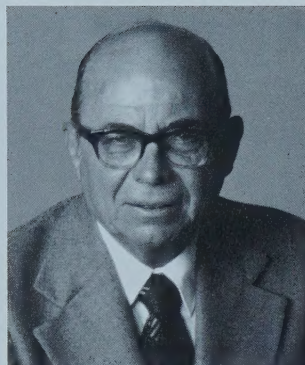
The introduction of rent control in Ontario has caused us some concern. However, where our costs require it, we have increased rents as leases are due and wherever necessary, made application to the rent review board. I would point out, however, that The Crossways, where the rental program began after January 1, 1976, does not come under rent control.

Your Company has managed to utilize maximum leverage in acquiring real estate by the joint venture route. In most joint venture situations, your Company has been able to retain 50% of the profits by trading management expertise for equity financing. This reinforces the Company's continuing growth from a financial standpoint.

Performance then is reflected in assets which have grown to \$100 million in 1976 from \$24 million in 1971; and in our shareholders' equity which has grown to \$18 million in 1976 from \$2 million in 1971. Performance is also evident in our Company philosophy of planned phase control—building a more permanent base for a steady flow of future earnings. We expect the year ending February 28, 1977 will reflect a significant increase in



Above and left (clockwise), officers of the company: Martha Fairfield, Secretary; Francis Cavill, Vice-President, Investment Properties; Norman Morris, Vice-President, Finance; Somer Rumm, Vice-President, Land Development; James McFarlane, Vice-President, Operations.



earnings. The trend toward this should be reflected in the earnings of the first quarter. Our land division should report much improved earnings for the year because of the registration of the Heart Lake development. Our housing division will be concentrating on lower priced homes geared to government assistance through the H.O.M.E. program of the Province of Ontario and through the Federal A.H.O.P. program. With the Crossways development expected to come on stream, our income from the revenue property division should increase substantially.

On behalf of the Board, I wish to express my most sincere thanks to a dedicated and loyal staff. Management is also appreciative of the co-operation and assistance given it by your Board of Directors. This team effort, management, Board and staff, enabled your Company to achieve its record of performance.

Lawrence Shankman
President

Right: Underground parking garage at Inverhouse Manor. A unique feature is the glass encased garden. Skylights and supergraphics brighten the entire area.



Review of Operations

Residential Projects

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- 4 Pine Hill
- 5 Morningside & Lawrence
- 6 Lonsdale House
- 7 The Masters
- 8 Guelph
- 9 Malvern
- 10 Erin Mills
- 11 Villages of Heart Lake

Land Development Projects

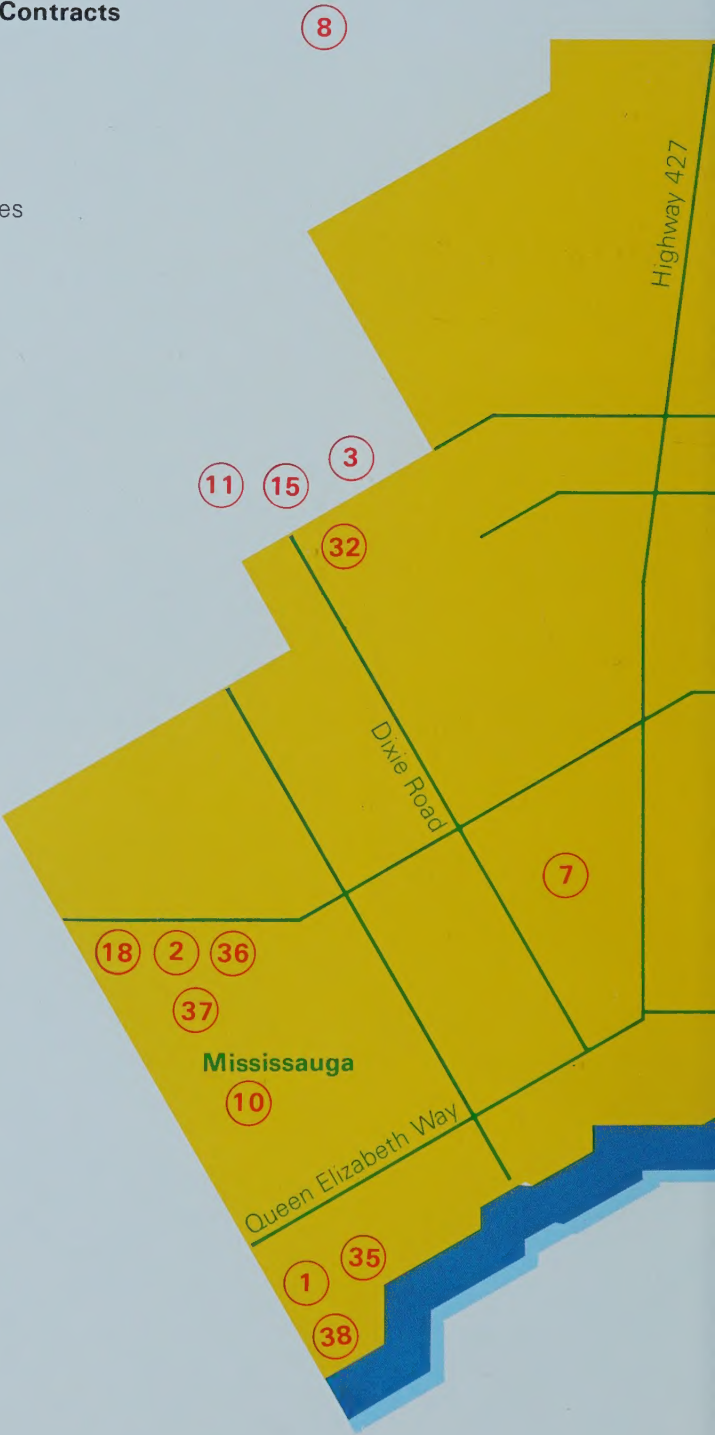
- 12 Rosewood
- 13 Whitby West Lynde
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Greater Toronto

Revenue Property Division

In addition to the managing of Company owned revenue producing properties, this division manages on a fee basis six residential complexes registered under the Condominium Act. We have also entered into agreements to manage five additional developments which are presently under various stages of registration. On completion of these projects, the total number of residential units managed by your Company will exceed 3100.

1. Toronto – 40 Gerrard Street East

A 34 storey apartment building containing 440 suites plus office and retail space on the ground floor is situated in downtown Toronto. At present, it has a residential vacancy of under 1%. The current rental rates provide a gross annual income in excess of \$1,330,000.

2. Toronto – The Crossways

This is a multi-use complex at Bloor and Dundas Streets in the west end of Toronto. Construction nears completion with retail and residential rentals having commenced during January, 1976.

The enclosed shopping mall on the ground level of the complex consists of 105,000 square feet of space, accommodating over 25 retail outlets. Over 70% of the commercial space has been rented to major tenants such as the Canadian Imperial Bank of Commerce, Food City and Tambllyn Drug Stores. Negotiations with prospective tenants for the balance of the space are nearing the final stages.

The first 29-storey residential tower has a total of 457 apartment suites, of which more than half are now rented. The rental program on the second 29-storey tower has commenced and indications are that it will be well received by the rental market. When The Crossways is completely rented, it will generate a gross annual income of \$4,000,000.

3. Toronto – Walmer Place

This 19-storey apartment and retail commercial complex at 7 Walmer Road continues to operate at nearly 100% occupancy. The annual gross revenue from this building now exceeds \$750,000.

4. Toronto – National Motor Inn

The Regency Towers, 89 Avenue Road, Toronto, has been reborn under the name "The National Motor Inn". Consolidated Building Corporation sold one-half interest in

the operating company to Conklin Shows and the design firm Graafikko Limited, but retained ownership of the real estate. The hotel has been completely refurbished from top to bottom and was in full operation by April, 1976. Management is provided by Canada's Conklin Shows who have developed an exciting range of new ideas and a theme that should make this joint venture profitable.

5. Whitby – Industrial Development

Consolidated Building Corporation has a 50% interest in a 38,600 square foot building in this community. The building is located in the Whit-Con Industrial Park, and 85% of the space has been rented for office use, the principal tenant being the Regional Government of Durham.

6. Barrie, Ontario – Barrie Shopping Plaza

This plaza, located in the south end of Barrie alongside Highway 400, consists of 23 retail stores, a large bowling centre and a gas bar. The plaza is operating at 100% occupancy and continues to reflect improved returns annually.

7. 99 Avenue Road, Toronto

Your Company manages this building on a lease arrangement. The Company's head office is maintained here and the balance of its 70,000 square feet is principally leased as a medical building.

8. 260 Richmond Street

Your Company also manages this downtown secondary office and manufacturing building.



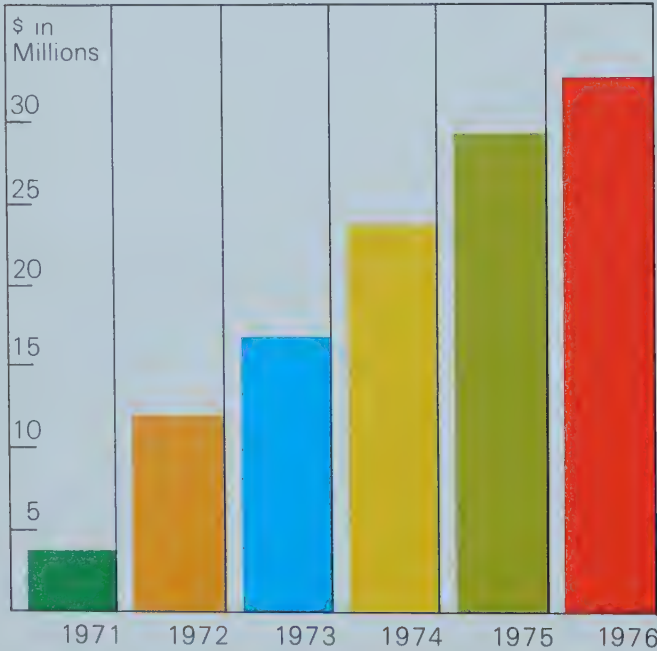
One corner of The Penny Arcade, a 400 seat pub, underground at The National Motor Inn. The Penny Arcade contains North America's largest collection of carnival memorabilia.



FREAK ODDITIES



Consolidated Building Corporation Limited
Land Held for Development and Sale



Land Inventory Division

1. Scarborough – Milliken

The Company owns 50 acres in the Borough of Scarborough. This land is designated for medium density housing and it is expected that 900 townhouses and semi-detached homes may be built here. We are projecting approval of this development in 1978.

2. Keswick

Projected for 1978, these 108 acres in Keswick will become a community of approximately 325 homes. This is a joint venture project in which Consolidated Building Corporation Limited has a 50% interest as well as being the management partner. The Township of Georgina has approved our interim Official Plan.

3. North Whitby – Brooklin

Planning of this new community of 1250 acres is proceeding through the various levels of government. The initial response to development has been favourable and our lands have been approved for growth in the Regional Plan. Much of our lands are in the built up area of Brooklin and are already zoned residential for single family housing. We expect that development should take place in 1978.

4. Whitby – Thickson Road

During the past year the Ontario Municipal Board gave official designation to the land use on the Official Plan for a shopping centre site of 26 acres. We have redesigned the residential lands and are proceeding with a plan for street townhouses rather than condominiums. This may reduce the number of units planned from 450 to approximately 400 but should improve their marketability. Approval of these plans are anticipated in early 1977.

5. Whitby – West Lynde Estates

Your Company has sold the residual land in the West Lynde Estates development. The land will accommodate 120 condominium townhouses. This sale is subject to final approvals being received from the Town of Whitby which is imminent.

6. Mississauga – Erin Meadows

This 670-acre assembly in Mississauga, abutting Erin Mills and Meadowvale is still in the planning stages. A consultant's report prepared for the City of Mississauga has designated these lands as residential. We are expecting approval on the first part of this development within three years.

7. Scarborough – Rosewood

Consolidated Building Corporation Limited was the managing partner of a joint venture which developed and sold land to accommodate approximately 1250 homes. All of the building lots have now been sold and your Company has 7 acres of residual land which may be developed in the next two years.

8. Brampton – Villages of Heart Lake

Final registration was received in late 1975 for this new community in the City of Brampton, adjacent to the Heart Lake Conservation Park. The development will consist of 4250 residential units, a 35-acre town centre and a 100-acre industrial park. Services are proceeding with phases one through four and approximately 700 building units have been sold to outside builders for construction this year. Seventeen hundred building permits in total were released this first year and 1000 permits will be released in each succeeding year, which will ensure a steady flow of building lots both for sale and our own use. This fully planned community, combining residential, recreational, industrial and commercial, is a joint venture project in which your Company owns 50% and has been appointed the managing partner.

- 9.** Your Company has purchased a 50% interest in approximately 250 acres of land east of Toronto on which we have plans for development before 1980.

The roof-lines of an architecturally-designed townhouse complex create a pleasing pattern against the skyline.



Residential Projects

1. Brampton – Villages of Central Park

We have now completed supervision of planning, construction and sales of the 2,350 homes comprising the Villages of Central Park. Under the H.O.M.E. plan these homes sold for \$17,500. to \$21,000. and mortgages were at 8¾% on leased, government owned land. The last families moved into the final phase during the fall of 1975.

Consolidated Building Corporation Limited and four other development companies formed a consortium to build this community, with your Company appointed by the consortium to manage the development, construction and sales of the entire project.

2. Mississauga – Inverhouse Manor

A luxury style 125-suite condominium located just south of Lakeshore Blvd. east of Southdown Road in Clarkson, has now been registered and is being operated by our property management division.

A unique feature here is the garage. Skylights brighten the entire area and in the centre is a glass enclosed garden complete with trees, rockery and shrubs. Most suites have parking for two cars and there is a special car wash stall. The condominiums are in the \$49,000.-\$55,900. range.

3. North York – Pine Hill

This project of 144 semi-detached homes was completed with all homes sold and occupied by mid 1975. Buyers of these homes benefitted from a comprehensive after sales program and an exclusive Registered Home Owner's Warranty. The homes sold from the mid \$60,000. to the low \$70,000. range.

4. Scarborough – Villas of Morningside

Located on Lawrence Avenue East near Morningside Drive in Scarborough, this 104 stacked townhouse condominium project was registered in late 1975 and is completely sold out and occupied. The 2 and 3 bedroom homes are uniquely designed in a 4-building complex surrounding an inner courtyard of gardens and children's play areas. The homes sold in the \$46,000.-\$47,000. price range.



Moderately-priced, semi-detached homes currently under construction in Erin Mills.



Streetscape proposed for Villages of Heart Lake, a new community adjacent to the picturesque Heart Lake Conservation Park, Brampton.

5. Meadowvale South

Plans are underway for rezoning this site to a townhouse development which, when completed, will consist of approximately 150 condominium townhomes.

6. Meadowvale West

Construction is complete on 110 condominium townhomes. Registration is in progress and the project is sold out with final occupancy scheduled at the end of June, 1976. The homes sold from \$49,950. to \$54,990. with a full one year home owner warranty.

Construction and sale of 197 detached and semi-detached homes comprising phases two and three of this project have been completed. All homes are sold with the last sixteen units being occupied by the end of May, 1976.

7. Etobicoke – The Masters

The Masters, a condominium development located on Mill Road at Burnhamthorpe in Etobicoke is a joint venture project in which Consolidated Building Corporation Limited has a 33⅓% interest.

This 496-suite condominium is managed and marketed by your Company. The 1, 2 and 3 bedroom split level and 2-storey luxury suites border on The Markland Wood Country Club. Construction is nearing completion and one third of the suites are sold and occupied. These luxury homes are priced from the low fifties to the high \$80,000. range. This condominium should be registered by the summer of 1976.

8. Scarborough

Proposed for Morningside and Lawrence Avenues in the Borough of Scarborough is a 2 and 3 bedroom, 210-suite rental project. The Company has received a mortgage commitment from Ontario Mortgage Corporation and the development is under the Assisted Rental Housing Program. Architectural and engineering drawings are in progress and construction is expected to start this year.

9. Lonsdale House

On Lonsdale Avenue in Forest Hill, this 84-suite condominium consists of 2 and 3 bedroom luxury units. It is fully occupied and registration is completed. 80% of the units are sold and the balance is rented. This project is a joint venture and is managed and maintained by Consolidated Building Corporation Limited.



10. Guelph – Victoria Gardens

Your Company was successful in its tender to construct 62 condominium townhouses in Guelph through the Ontario Housing Corporation and under the H.O.M.E. plan. Construction is well under way and all homes have been pre-sold.

11. Scarborough – Malvern, Phase V

Your Company was awarded the construction of 70 detached homes which will be completed in 1976. The houses are all sold and full occupancy is expected this year. This project is another in our continuing co-operation with the Ontario Housing Corporation under the H.O.M.E. plan.

12. Mississauga – Erin Mills

Your Company has begun construction on 62 moderately priced semi-detached homes in Erin Mills to complement its housing program in Meadowvale.

13. Brampton – Villages of Heart Lake

This will be a new community in the City of Brampton adjacent to the Heart Lake Conservation Park. The development will consist of 4250 residential units, a 35-acre town centre and a 100-acre industrial park.

This is a joint venture project in which Consolidated Building Corporation Limited owns 50% and has been appointed the managing partner. Services are now being installed and your Company plans to construct 300 moderately priced homes for our building program for this year in this development.

Financial Highlights



Revenue	\$32,281,000
Earnings before Tax	4,747,000
Net Earnings	2,372,000
Net Earnings per Common Share	37¢
Cash Flow from Operations	2,682,000
Cash Flow per Common Share	42¢
Assets	100,583,000
Shareholders' Equity	17,802,000
Dividends per Common Share	15¢
Number of Common Shares Outstanding at Year End	6,368,329
Return on Shareholders' Average Equity	13.9%

The Crossways

Financial Statements

Consolidated Building Corporation Limited
and subsidiary companies

Consolidated Statement of Earnings For The Year Ended February 29, 1976

with comparative figures for 1975

Revenue:	1976	1975
Sale of real estate (note 1(e))	\$ 27,978,000	\$ 43,767,000
Gross income from investment properties	3,047,000	2,261,000
Interest, management fees and sundry income	1,256,000	1,550,000
	32,281,000	47,578,000
Expenses:		
Cost of real estate sold	21,765,000	32,636,000
Operating expenses of investment properties (excluding interest and depreciation)	2,146,000	1,966,000
Selling, general and administrative expenses	1,903,000	1,936,000
Interest expense (note 9)	1,511,000	815,000
Depreciation and amortization of investment properties (note 1(b))	209,000	223,000
	27,534,000	37,576,000
Earnings for the year before income taxes	4,747,000	10,002,000
Income taxes — current (note 11)	2,275,000	2,150,000
— deferred	100,000	3,250,000
	2,375,000	5,400,000
Earnings for the year	\$ 2,372,000	\$ 4,602,000
Earnings per share (based on weighted average of shares outstanding during the year)	37¢	72¢

Consolidated Statement of Retained Earnings For The Year Ended February 29, 1976

with comparative figures for 1975

	1976	1975
Retained earnings, beginning of year	\$ 8,598,000	\$ 4,639,000
Add earnings for the year	2,372,000	4,602,000
	10,970,000	9,241,000
Deduct:		
Dividends paid	955,000	637,000
Excess of cost of shares cancelled over stated value including related income taxes		6,000
	955,000	643,000
Retained earnings, end of year	\$ 10,015,000	\$ 8,598,000

The accompanying notes
are an integral part
of the financial statements

and subsidiary companies

February 29, 1976

with comparative figures for 1975

Assets	1976	1975
Cash	\$ 583,000	\$ 946,000
Mortgages, sale agreements and sundry receivables	18,283,000	14,663,000
Deposits on land (note 8)	152,000	120,000
Housing completed and under construction (note 1(c))	15,535,000	22,918,000
Land held for development and sale (note 1(c))	30,447,000	28,472,000
Investment properties (notes 1(b), 1(d), 2)	35,388,000	24,333,000
Sundry	195,000	303,000

Total Assets	\$ 100,583,000	\$91,755,000
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The accompanying notes
are an integral part
of the financial statements

On behalf of the Board:

L. Shamburn

Dr Morris

Liabilities	1976	1975
Bank indebtedness (note 3)	\$ 9,403,000	\$ 5,232,000
Accounts payable and accrued liabilities	9,309,000	10,135,000
Income taxes payable (note 11)	90,000	
Progress billings, land and housing deposits	3,326,000	358,000
Mortgages on housing completed and under construction	9,547,000	14,119,000
Other mortgages and secured loans (note 4(a))	18,931,000	21,116,000
Mortgages on investment properties (note 4(a))	23,532,000	14,840,000
6¼ % sinking fund debentures due February 1, 1979 (note 4(b))	1,172,000	2,199,000
Deferred income taxes (note 11)	7,471,000	7,371,000
Contingent liabilities (notes 5, 7)		
Total liabilities	82,781,000	75,370,000
Shareholders' Equity		
Capital stock (note 6)		
Authorized:		
13,946,400 common shares without par value		
Issued:		
6,368,329 common shares without par value	7,787,000	7,787,000
Retained earnings	10,015,000	8,598,000
Total shareholders' equity	17,802,000	16,385,000
	\$100,583,000	\$91,755,000

Auditors' Report

To the Shareholders of Consolidated Building Corporation Limited:

We have examined the consolidated balance sheet of Consolidated Building Corporation Limited and its subsidiaries as at February 29, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at

February 29, 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
May 28, 1976

Clarkson, Gordon & Co.
Chartered Accountants

Consolidated Building Corporation Limited
and subsidiary companies

Consolidated Statement of Changes in Financial Position
For The Year Ended February 29, 1976
with comparative figures for 1975

Funds were provided from:	1976	1975
Earnings for the year	\$ 2,372,000	\$4,602,000
Add non cash items—Deferred income taxes (note 11)	100,000	3,250,000
Depreciation and amortization	209,000	223,000
Other	1,000	14,000
Funds provided from operations	2,682,000	8,089,000
Mortgages on investment properties	8,692,000	5,690,000
Decrease in housing inventory	7,383,000	(7,922,000)
Increase in land and housing deposits	2,968,000	(3,133,000)
Sundry	31,000	284,000
Income taxes (note 11)	265,000	(2,541,000)
Proceeds from issue of shares		520,000
	22,021,000	987,000
Funds were used for:		
Investment properties	11,264,000	9,448,000
Reduction in mortgages—housing	4,572,000	(7,570,000)
—land and other	2,185,000	(3,721,000)
Increase in mortgages, sale agreements and sundry receivables	3,620,000	5,601,000
Dividends	955,000	637,000
Repayment of sinking fund debentures	983,000	365,000
Land held for development	1,975,000	5,289,000
Decrease in accounts payable	1,001,000	(3,069,000)
	26,555,000	6,980,000
Increase in bank indebtedness, net of cash	4,534,000	5,993,000
Bank indebtedness net of cash, beginning of year	4,286,000	(1,707,000)
Bank indebtedness net of cash, end of year	\$ 8,820,000	\$4,286,000

The accompanying notes
are an integral part
of the financial statements

Notes to Consolidated Financial Statements
February 29, 1976

1. Accounting policies

(a) Consolidation—

The accounts of all subsidiary companies have been included in the consolidated financial statements. Joint ventures are accounted for on a line by line basis reflecting the Company's proportionate share of each asset, liability, revenue and expense item.

(b) Depreciation—

The Company records depreciation on buildings held for investment purposes on a 4%, forty year sinking fund basis. The depreciation charge, which increases annually, consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum so that assets will be fully depreciated forty years after construction or purchase.

Depreciation on equipment is recorded on a 10% straight-line basis.

Leasehold improvements are written off in equal annual instalments over the terms of the leases.

(c) Housing completed and under construction and land held for development and sale—

These include the cost of land, land improvements, building construction costs and all carrying costs such as mortgage interest, realty taxes, legal fees and other direct expenses plus a portion of interest on general borrowings considered directly applicable.

The Company provides for the immediate write-off of any costs which are not recoverable from the proceeds of future sales. Accordingly, the carrying value of these inventories is less than estimated realizable value.

(d) Investment properties—

Investment properties are carried at cost, which includes mortgage interest, property taxes, legal fees and certain overhead expenses capitalized during the construction and initial leasing periods.

(e) Revenue recognition—

Revenue from the sale of single or semi-detached housing is recognized when each house is completed and accepted by the purchaser.

Revenue from the sale of condominiums is recognized when the amount due on closing is received, the purchaser is entitled to occupancy and undertakes to accept responsibility for payment of the balance of the purchase price and a substantial portion of the units in the project have been occupied.

Revenue from the sale of land is recognized when all material requirements related to the sales agreement have been met and when risks of ownership have been transferred to the purchaser.

(f) C.I.P.R.E.C. —

The Company is a member of the Canadian Institute of Public Real Estate Companies. The Company's accounting policies and its standards of financial disclosure are substantially in accordance with the recommendations of that Institute.

2. Investment properties, at cost

These consist of:

	1976	1975
Buildings	\$ 11,177,000	\$ 11,148,000
Equipment	1,075,000	700,000
Leasehold improvements	533,000	233,000
Parking lot	285,000	285,000
Buildings under construction	19,391,000	8,847,000
	32,461,000	21,213,000
Less accumulated depreciation and amortization	1,439,000	1,230,000
	31,022,000	19,983,000
Land	4,366,000	4,350,000
	\$ 35,388,000	\$ 24,333,000

3. Bank indebtedness

The Company has issued and deposited with its bankers, as collateral security, demand debentures and a mortgage in respect of the bank loans and letters of credit outstanding (see note 7). The debentures are secured by a first floating charge on the assets of the Company. In addition, accounts receivable and certain mortgages receivable have been assigned to the bankers.

4. Other secured debt

- (a) Mortgages and secured loans of \$18,931,000 and mortgages payable on investment properties of \$23,532,000 bear interest at rates varying from 7% to 16%. Principal repayments are due as follows:

	Mortgages and secured loans	Mortgages payable on investment properties
Fiscal years ending		
1977	\$ 2,196,000	\$ 106,000
1978	2,515,000	116,000
1979	3,081,000	13,303,000
1980	5,090,000	6,813,000
1981	1,164,000	1,946,000
Thereafter	4,885,000	1,248,000
	\$ 18,931,000	\$ 23,532,000

Mortgages payable on investment properties include a bank loan of \$13,177,000 secured by certain mortgages. This loan is due on demand; however, the bank has indicated that it will not request repayment until September, 1978.

In certain circumstances, the mortgages include the right of early discharge.

It has been the policy of the Company to negotiate the renewal of mortgages on investment properties as they mature.

- (b) The 6¼% sinking fund debentures are to be retired by payments of \$372,000 in 1977, \$700,000 in 1978 and \$100,000 in 1979.

5. Investment in joint ventures

The combined financial position of the joint ventures in which the Company has an equity interest is as follows:

	1976		1975	
	Combined Total	Company's Interest	Combined Total	Company's Interest
Assets				
Cash	\$ 2,580,000	\$ 547,000	\$ 2,654,000	\$ 453,000
Mortgages, sale agreements and sundry receivables	2,472,000	1,349,000	4,999,000	2,002,000
Deposits on land	303,000	152,000	239,000	119,000
Housing completed and under construction	29,360,000	9,881,000	23,821,000	8,151,000
Land held for development and sale	42,592,000	21,024,000	36,999,000	18,172,000
Investment properties	1,525,000	762,000		
Sundry	29,000	15,000	38,000	25,000
	\$78,861,000	\$33,730,000	\$68,750,000	\$28,922,000
Liabilities				
Bank indebtedness	\$14,156,000	\$ 4,519,000	\$14,998,000	\$ 4,847,000
Accounts payable and accrued liabilities	3,563,000	1,372,000	5,014,000	1,493,000
Due to joint ventures		1,922,000		597,000
Land and housing deposits	3,349,000	1,127,000	229,000	90,000
Mortgages on housing completed and under construction	12,102,000	4,072,000	12,053,000	3,989,000
Other mortgages and secured loans	21,651,000	10,826,000	21,704,000	10,852,000
	54,821,000	23,838,000	53,998,000	21,868,000
Participants' Equity	24,040,000	9,892,000	14,752,000	7,054,000
	\$78,861,000	\$33,730,000	\$68,750,000	\$28,922,000

The amounts shown as "Company's interest" above are included under their respective captions on the accompanying balance sheet.

The Company is contingently liable for the other participants' portion of the liabilities of the joint ventures in which it participates. The Company has claims on the related assets of the joint ventures to satisfy such obligations.

6. Capital stock

Under the Company's share participation plan, 109,000 common shares were reserved as at February 29, 1976 for officers and other key employees at prices equal to the market value on the business day immediately before the day of issue. The Company provides interest-free loans to participants in the plan to assist with the purchase of these shares. As at February 29, 1976, loans of \$429,000 (1975—\$505,000) were outstanding, of which \$332,000 (1975—\$336,000) were due from officers and directors.

The Company has reserved 47,000 of the authorized and unissued common shares for outstanding employee share options. These options are exercisable in respect of 12,000 shares at \$2.34 up to April 27, 1977 and 35,000 shares at \$2.91 up to June 13, 1979.

7. Contingent liabilities

The Company has lodged letters of credit aggregating \$3,706,000 with municipalities and utilities as security for the fulfillment of its obligations under certain subdivision agreements.

8. Commitments

The Company in the ordinary course of business has commitments to purchase lands, complete servicing of land under development and complete buildings under construction.

The Company leases a building under a long-term lease requiring approximate annual rentals of \$242,000 to 1984 (with varying rates thereafter).

9. Statutory information

The aggregate direct remuneration of directors and senior officers (as defined under the Ontario Business Corporations Act) amounted to \$460,000 in the 1976 fiscal year (1975—\$490,000).

Interest on debt initially incurred for a term of more than one year totalled \$3,927,000. Of this amount, \$1,511,000 was expensed in the consolidated statement of earnings, and the remaining amount was capitalized. Capitalized interest is charged to earnings as part of the cost of real estate sold and through the depreciation of investment properties.

10. Anti-Inflation legislation

The Company is subject to the Federal Government's Anti-Inflation Act and Regulations which became effective October 14, 1975, and to the Residential Premises Rent Review Act of the Province of Ontario which became effective on July 29, 1975.

As a result the Company's ability to change residential rents, increase employee compensation and pay dividends subsequent to the dates of the respective legislation is restricted. Regulations for the control of prices and profit margins on construction of residential units are not yet available and the Company is unable to determine the extent to which its ability to change such prices and profit margins is restricted.

11. Income taxes for 1975

An amount of \$950,000 included in the 1975 financial statements as income taxes payable has been reclassified as deferred income taxes and the allocation of the 1975 income tax expense between current and deferred has been correspondingly revised. This reduction in income taxes payable resulted from adjustments on filing the Company's 1975 income tax returns.

One face of The Masters, a luxury condominium overlooking the Markland Wood Country Club.





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